

NORTH POLK COMMUNITY SCHOOL DISTRICT  
ALLEMAN, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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# NORTH POLK COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Keith Muehlenthaler	President	2011
Tim Kreihbel	Vice President	2011
Brett Bruggeman	Board Member	2013
Diane Lackore	Board Member	2013
Gary Reinhart	Board Member	2013
(After September 2011 election)		
Keith Muehlenthaler	President	2015
Tim Kreihbel	Vice President	2015
Brett Bruggeman	Board Member	2013
Diane Lackore	Board Member	2013
Gary Reinhart	Board Member	2013
<u>School Officials</u>		
Dan Mart	Superintendent	2012
Deborah Schroeder	District Secretary/Treasurer	2012
Ahlers & Cooney, P.C.	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
North Polk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Polk Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Polk Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2013 on our consideration of North Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Polk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 15, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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North Polk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues and other financing sources increased from \$11,677,840 in fiscal 2011 to \$12,157,628 in fiscal 2012; General Fund expenditures and other financing uses also increased from \$11,039,065 in fiscal 2011 to \$11,539,126 in fiscal 2012. The District's General Fund balance increased from \$1,908,352 in fiscal 2011 to \$2,526,854 in fiscal 2012, a 32.4% increase.
- The increase in General Fund revenues was attributable primarily to increases in state grant revenues in fiscal 2012. The increase in state grant revenue is attributable to an increase in budget enrollment, an increase in additional property tax levy aid, and a decrease in state aid reduction. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving sixty three additional students.
- The increase in the General Fund balance is due primarily to controlling the expected increase in expenditures due to higher enrollment in relation to the available revenues.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Polk Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Polk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Polk Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

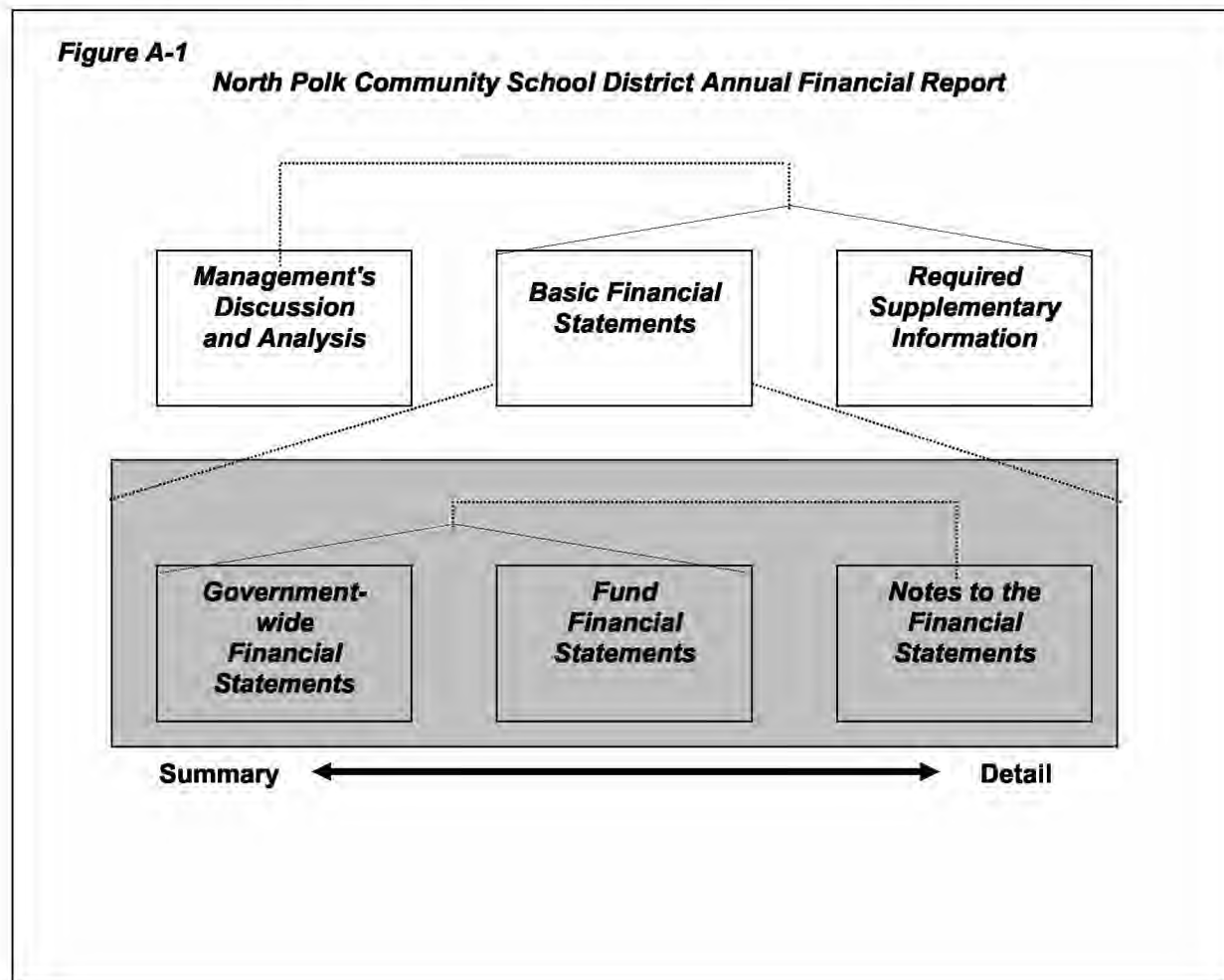




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and vending	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and employee flex benefit programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property and sales taxes and state foundation aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the sales and service taxes.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Vending Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Employee Flex Benefit Fund – The District accounts for pre-tax contributions by employees and employer contributions for medical and dependent care benefits in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

**Figure A-3**

	Condensed Statement of Net Assets						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	30,526,520	13,865,473	33,343	48,860	30,559,863	13,914,333	119.6
Capital assets	15,850,048	9,833,530	84,492	53,472	15,934,540	9,887,002	61.2
<b>Total assets</b>	<b>46,376,568</b>	<b>23,699,003</b>	<b>117,835</b>	<b>102,332</b>	<b>46,494,403</b>	<b>23,801,335</b>	<b>95.3</b>
Long-term liabilities	20,875,035	1,970,650	2,027	1,233	20,877,062	1,971,883	958.7
Other liabilities	8,747,735	7,177,165	25,271	17,959	8,773,006	7,195,124	21.9
<b>Total liabilities</b>	<b>29,622,770</b>	<b>9,147,815</b>	<b>27,298</b>	<b>19,192</b>	<b>29,650,068</b>	<b>9,167,007</b>	<b>223.4</b>
Net Assets:							
Invested in capital assets, net of related debt	10,219,801	8,393,530	84,492	53,472	10,304,293	8,447,002	22.0
Restricted	4,997,689	4,646,690	0	0	4,997,689	4,646,690	7.6
Unrestricted	1,536,308	1,510,968	6,045	29,668	1,542,353	1,540,636	0.1
<b>TOTAL NET ASSETS</b>	<b>16,753,798</b>	<b>14,551,188</b>	<b>90,537</b>	<b>83,140</b>	<b>16,844,335</b>	<b>14,634,328</b>	<b>15.1</b>

The District's combined total net assets increased by \$2,210,007, or 15.1%, over the prior year. The largest portion of the District's net assets is cash and pooled investments and the invested in capital

assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$350,999 or 7.6% over the prior year. The increase was primarily due to proceeds received on the issuance of general obligation and revenue bonds in fiscal year 2012 but not yet expended. The target date for the completion of the capital projects financed with these assets is August 2013.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$1,717, or 0.1%.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

**Figure A-4**

	Change in Net Assets						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	%
Program Revenues:							
Charges for services	890,897	887,475	439,191	407,204	1,330,088	1,294,679	2.7
Operating grants & contributions	1,562,968	1,762,795	130,171	114,805	1,693,139	1,877,600	-9.8
Capital grants & contributions	0	6,775	17,653	0	17,653	6,775	160.6
General Revenues:							
Property taxes	5,460,879	4,655,143	0	0	5,460,879	4,655,143	17.3
Income Surtax	378,835	349,590	0	0	378,835	349,590	8.4
Statewide sales tax	1,070,247	1,126,752	0	0	1,070,247	1,126,752	-5.0
Unrestricted state grants	5,925,944	5,212,762	0	0	5,925,944	5,212,762	13.7
Unrestricted investment earnings	343,857	118,577	779	1,030	344,636	119,607	188.1
Other revenue	277,052	40,666	0	0	277,052	40,666	581.3
<b>Total Revenues</b>	<b>15,910,679</b>	<b>14,160,535</b>	<b>587,794</b>	<b>523,039</b>	<b>16,498,473</b>	<b>14,683,574</b>	<b>12.4</b>
Expenses:							
Instruction	7,728,708	7,561,606	0	0	7,728,708	7,561,606	2.2
Support services	4,308,266	3,955,066	39,771	34,321	4,348,037	3,989,387	9.0
Non-instructional programs	17,906	15,552	540,626	471,349	558,532	486,901	14.7
Other expenditures	1,653,189	877,165	0	0	1,653,189	877,165	88.5
<b>Total expenses</b>	<b>13,708,069</b>	<b>12,409,389</b>	<b>580,397</b>	<b>505,670</b>	<b>14,288,466</b>	<b>12,915,059</b>	<b>10.6</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,202,610</b>	<b>1,751,146</b>	<b>7,397</b>	<b>17,369</b>	<b>2,210,007</b>	<b>1,768,515</b>	<b>25.0</b>
Net assets beginning of year	14,551,188	12,800,042	83,140	65,771	14,634,328	12,865,813	13.7
Downward adjustment to beginning balances	0	0	0	0	0	0	0.0
Interfund Transfers	0	0	0	0	0	0	0.0
<b>Net assets end of year</b>	<b>16,753,798</b>	<b>14,551,188</b>	<b>90,537</b>	<b>83,140</b>	<b>16,844,335</b>	<b>14,634,328</b>	<b>15.1</b>

Property tax and unrestricted state grants account for 69.0% of the general revenue. The District's expenses primarily relate to instruction and support services, which account for 84.5% of the total expenses.

As shown in figure A-4 the District, as a whole, experienced a 12.4% increase in revenues and a 10.6% increase in expenses. An increase of \$778,476 in tax revenues and \$1,036,423 in program revenues, unrestricted state grants, and other sources were used to fund increases in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

### Governmental Activities

Revenues from governmental activities were \$15,910,679 and net expenses were \$13,708,069. Total revenues exceeded expenditures in the governmental activities by \$2,202,610.

The following table presents the total and net cost of the District's major government activities: instruction, support services, non-instructional programs, and other expenses.

**Figure A-5**

	Total Cost of Services			Net Cost of Services		
	2012	2011	Percent Change 2011-2012	2012	2011	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	7,728,708	7,561,606	2.2	5,797,434	5,519,745	5.0
Support Services	4,308,266	3,955,066	8.9	4,237,354	3,819,820	10.9
Non-instructional Programs	17,906	15,552	15.1	17,906	15,552	15.1
Other Expenses	1,653,189	877,165	88.5	1,201,510	397,227	202.5
<b>TOTAL</b>	<b>13,708,069</b>	<b>12,409,389</b>	<b>10.5</b>	<b>11,254,204</b>	<b>9,752,344</b>	<b>15.4</b>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$890,897. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,562,968.
- The net cost of governmental activities was financed with \$6,909,961 in property and other local taxes, \$5,925,944 in unrestricted state grants, and \$620,909 in other unrestricted sources.

### Business Type Activities

Revenues for business type activities were \$587,794 and expenses were \$580,397. The District's business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District monitors its business type activities to ensure revenues are sufficient to cover expenses.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the North Polk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$21,527,809, 238.56% above last year's fund balance of \$6,358,713. The large increase is reflected primarily in the Capital Projects Fund because of the issuance of \$20,000,000 in general obligation and revenue bonds, the majority of which is still unspent.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Growth during the year in state foundation aid and grants resulted in an increase in General Fund revenues. The General Fund balance increased from \$1,908,352 to \$2,526,854 due primarily to an increase in unrestricted state aid along with careful control of expenditures.
- The Capital Projects Fund balance increased from \$4,025,196 in fiscal year 2011 to \$18,731,236 in fiscal year 2012. The increase is a result of issuance of general obligation and revenue bond indebtedness and excess property and statewide sales and services taxes collection during the year. The fund balance is reserved for future construction, capital asset acquisitions, and building and grounds repairs and improvements.
- The Debt Service Fund balance decreased \$80,446 from fiscal year 2011 to \$13,149.

### **Proprietary Fund Highlights**

The District's Enterprise Fund net assets increased from \$83,140 in fiscal year 2011 to \$90,537 in fiscal year 2012, representing an increase of approximately 8.9%. This increase was primarily due to increases in participation, meal prices, and revenues from federal and state sources.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were approximately \$2,594,485 less than budgeted revenues, a variance of 13.8%. Total expenditures/expenses were 58.1% of budgeted expenditures/expenses.

It is the District's practice to budget revenues conservatively and expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A summary of the reconciling differences between the District's General Fund Unspent Authorized Budget, Fund Balance, Excess ISL Balance, and its Cash Reserve Balance is presented in Figure A-6.

**Figure A-6**

	Change in Unspent Authorized Budget, General Fund Balance, and Cash Reserve Balance				
	Unspent Authorized Budget	General Fund Balance	Excess ISL (Sources (Uses))	Cash Reserve (Sources (Uses))	Unfunded Authorized Budget
Property Taxes					
Uniform Levy	1,434,081	2,920,077		(637)	
Additional Levy	1,487,903				
Utility Replacement Adjustment	(1,270)				
Instructional Support	145,298	145,219	(79)		
SBRC Allowable Growth:					
Enrollment Increase – FY 12	189,433			(501,867)	
Special Ed Deficit – FY 12	285,617				
Other	26,817				
Cash Reserve Levies:					
Enrollment Increase – FY 11		167,282		586,282	
Other		419,000			
<b>Subtotal Property Taxes</b>	<b>3,567,879</b>	<b>3,651,578</b>	<b>(79)</b>	<b>83,778</b>	<b>0</b>
State Aid	5,510,690	5,520,889		(21,773)	
ARRA Ed Fiscal Stabilization		3,461			
AEA Juvenile Home Support		(35,433)			
State Aid Reduction		0			
AEA Flow-through	451,679	451,679			
Categorical State Aid	924,639	924,639			
Inst Support State Aid	0	0			
<b>Subtotal State Aid</b>	<b>6,887,008</b>	<b>6,865,235</b>	<b>0</b>	<b>(21,773)</b>	<b>0</b>
2012 Instructional Support Income Surtax	354,327		8,825		
2011 Instructional Support Income Surtax received in FY 2012		363,152			
<b>Subtotal Income Surtax</b>	<b>354,327</b>	<b>363,152</b>	<b>8,825</b>	<b>0</b>	<b>0</b>
Cash Reserve Recovery				(62,005)	62,005
Total Miscellaneous Income	1,280,395	1,269,663	-		(10,732)
Total Expenditures	(11,616,531)	(11,531,126)	-		85,405
<b>Net Increase (Decrease)</b>	<b>473,078</b>	<b>618,502</b>	<b>8,746</b>	<b>0</b>	<b>136,678</b>
<b>Beginning Balance - July 1, 2011</b>	<b>1,959,233</b>	<b>1,908,352</b>	<b>126,226</b>	<b>0</b>	<b>(177,107)</b>
<b>Ending Balance - June 30, 2012</b>	<b>2,432,311</b>	<b>2,526,854</b>	<b>134,972</b>	<b>0</b>	<b>(40,429)</b>

The District's cash reserve balance increased from (\$177,207) in fiscal year 2011 to (\$40,429) in fiscal year 2012. Actual state aid received was \$21,773 less than the amount appropriated due primarily to the

payment of additional authorized funding in support of the state's juvenile home facilities. The District received \$586,282 in cash reserve property tax revenues, levied to fund previous years' requests for SBRC allowable growth, state aid shortfalls, and to provide for adequate cash flow reserves.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested approximately \$16 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

The net increase in capital asset activity during the year is primarily due to construction of new facilities.

**Figure A-7**

	Capital Assets (net of depreciation)						Percent Change 2011-2012 %
	Governmental		Business type		Total		
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Land	932,370	411,634	0	0	932,370	411,634	126.5
Construction in progress	5,832,207	102,945	0	0	5,832,207	102,945	5,565.4
Buildings	8,212,198	8,441,269	0	0	8,212,198	8,441,269	-2.7
Improvements	182,358	168,873	0	0	182,358	168,873	8.0
Equipment & furniture	690,915	708,809	84,492	53,472	775,407	762,281	1.7
TOTAL	15,850,048	9,833,530	84,492	53,472	15,934,540	9,887,002	61.2

### Long-Term Debt

At June 30, 2012 the District had \$20,875,035 in general obligation, revenue and other long-term debt outstanding. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In April 2003 the District issued \$3,160,000 of general obligation refunding bonds with interest rates ranging between 1.2% and 3.2%. The District issued the bonds to advance refund \$3,125,000 of the outstanding 1994 general obligation bonds with interest rates of 4.25% to 5.00%. The District reduced the outstanding principal on the general obligation refunding bonds by \$460,000 during fiscal year 2012.

The District issued \$1,140,000 of capital loan notes in 2008 to finance renovations at West Elementary. These notes will be repaid with proceeds from the voted physical plant and equipment property tax levy. The District paid \$125,000 of principal on the notes during the year.

The District issued \$10,000,000 of general obligation bonds, with interest rates ranging between 2.0% to 4.0%, in September 2011. The District reduced the outstanding principle on the general obligation bonds by \$575,000 during fiscal year 2012.

The District issued \$10,000,000 of revenue bonds, with interest rates ranging between 1.25% and 3.10%, in March 2012. Principal payments on the revenue bonds are scheduled to commence July 1, 2014.



**Figure A-8**

<b>Outstanding Long-Term Debt Obligations</b>			
	<b>Total School District</b>		<b>Percentage</b>
	<b>2012</b>	<b>2011</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>2012-2011</b>
			<b>%</b>
General Obligation Bonds	9,720,000	755,000	1,187.4
Revenue Bonds	10,000,000	0	N/A
Capital Loan Notes	560,000	685,000	-18.3
Capital Leases	29,591	88,356	-66.5
Early Retirement	308,641	249,818	23.6
Compensated Absences	28,421	53,110	-46.5
Net OPEB Liability	230,409	140,599	63.9
	<b>20,877,062</b>	<b>1,971,883</b>	<b>958.7</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Budget enrollment increased by sixty three additional students between the 2011 and 2012 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- The District levied an additional \$827,923 in fiscal year 2013 to provide cash reserve funds to be used to fund the various requests for SBRC allowable growth and to provide for future adequate cash flow reserves.
- In December, 2011 taxpayers voted to authorize the District to issue up to \$16.1 million in general obligation bond debt for the purpose of constructing a new high school building. In July 2011, the District issued \$10,000,000 in general obligation bonds; the remaining \$6.1 million in general obligation bonds were issued in January 2013. The building is scheduled for completion and occupancy in August 2013.
- The District also issued an additional \$10,000,000 in revenue bonds in March 2012 in connection with the construction of the new high school building, the construction of a new outdoor activities campus, and the replacement of the District's wastewater treatment facility. Construction of the outdoor activities campus commenced in the fall of October 2012. Construction of the wastewater treatment facility is expected to begin in May 2013.
- The District will negotiate a new contract agreement with the North Polk Education Association during the coming fiscal year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deborah Schroeder, Board Secretary/Treasurer and Business Manager, North Polk Community School District, 313 NE 141<sup>st</sup> Avenue, Alleman, Iowa 50007.

## Basic Financial Statements

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 24,096,376	\$ 11,824	\$ 24,108,200
Receivables:			
Property tax:			
Current year	43,736	-	43,736
Succeeding year	5,560,947	-	5,560,947
Income surtax	354,327	-	354,327
Accounts	31,805	6,448	38,253
Due from other governments	344,190	-	344,190
Inventories	3,819	14,534	18,353
Prepaid expenses	91,320	537	91,857
Capital assets, net of accumulated depreciation (note 4)	15,850,048	84,492	15,934,540
<b>Total assets</b>	<b>46,376,568</b>	<b>117,835</b>	<b>46,494,403</b>
<b>Liabilities</b>			
Accounts payable	1,887,165	5,458	1,892,623
Salaries and benefits payable	1,186,206	5,652	1,191,858
Accrued interest payable	103,351		103,351
Deferred revenue:			
Succeeding year property tax	5,560,947	-	5,560,947
Other	10,066	14,161	24,227
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	73,862	-	73,862
Bonds payable	395,000	-	395,000
Notes payable	130,000	-	130,000
Capital lease payable	29,591	-	29,591
Compensated absences	28,421	-	28,421
Portion due after one year:			
Early retirement	234,779	-	234,779
Bonds payable	19,325,000	-	19,325,000
Notes payable	430,000	-	430,000
Net OPEB liability	228,382	2,027	230,409
<b>Total liabilities</b>	<b>29,622,770</b>	<b>27,298</b>	<b>29,650,068</b>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 10,219,801	\$ 84,492	\$ 10,304,293
Restricted for:			
Categorical and local funding	869,006	-	869,006
Physical plant and equipment levy purposes	67,585	-	67,585
Student activities	166,993	-	166,993
Debt service	728,004	-	728,004
Capital projects	3,166,101	-	3,166,101
Unrestricted	1,536,308	6,045	1,542,353
Total net assets	<u>\$ 16,753,798</u>	<u>\$ 90,537</u>	<u>\$ 16,844,335</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,312,085	\$ 397,683	\$ 821,301	\$ -
Special instruction	1,025,906	160,739	88,021	-
Other instruction	1,390,717	301,057	162,473	-
	<u>7,728,708</u>	<u>859,479</u>	<u>1,071,795</u>	<u>-</u>
Support services:				
Student services	458,535	-	-	-
Instructional staff services	587,764	180	31,960	-
Administration services	1,336,034	-	-	-
Operation and maintenance of plant services	1,237,076	11,640	-	-
Transportation services	688,857	19,598	7,534	-
	<u>4,308,266</u>	<u>31,418</u>	<u>39,494</u>	<u>-</u>
Non-instructional programs	<u>17,906</u>	-	-	-
Other expenditures:				
Facilities acquisition	113,354	-	-	-
Long-term debt interest and fiscal charges	779,647	-	-	-
AEA flowthrough	451,679	-	451,679	-
Depreciation (unallocated) *	308,509	-	-	-
	<u>1,653,189</u>	<u>-</u>	<u>451,679</u>	<u>-</u>
Total governmental activities	<u>13,708,069</u>	<u>890,897</u>	<u>1,562,968</u>	<u>-</u>
Business-Type Activities:				
Support services:				
Food service operations	39,767	-	-	-
Other operations	4	-	-	-
	<u>39,771</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,093,101)	\$ -	\$ (4,093,101)
(777,146)	-	(777,146)
(927,187)	-	(927,187)
<u>(5,797,434)</u>	<u>-</u>	<u>(5,797,434)</u>
(458,535)	-	(458,535)
(555,624)	-	(555,624)
(1,336,034)	-	(1,336,034)
(1,225,436)	-	(1,225,436)
<u>(661,725)</u>	<u>-</u>	<u>(661,725)</u>
<u>(4,237,354)</u>	<u>-</u>	<u>(4,237,354)</u>
<u>(17,906)</u>	<u>-</u>	<u>(17,906)</u>
(113,354)	-	(113,354)
(779,647)	-	(779,647)
-	-	-
<u>(308,509)</u>	<u>-</u>	<u>(308,509)</u>
<u>(1,201,510)</u>	<u>-</u>	<u>(1,201,510)</u>
<u>(11,254,204)</u>	<u>-</u>	<u>(11,254,204)</u>
-	(39,767)	(39,767)
-	(4)	(4)
<u>-</u>	<u>(39,771)</u>	<u>(39,771)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Non-instructional programs:				
Food service operations	\$ 539,026	\$ 437,632	\$ 130,171	\$ 17,653
Other operations	1,600	1,559	-	-
	<u>540,626</u>	<u>439,191</u>	<u>130,171</u>	<u>17,653</u>
Total business-type activities	<u>580,397</u>	<u>439,191</u>	<u>130,171</u>	<u>17,653</u>
Total	<u>\$ 14,288,466</u>	<u>\$ 1,330,088</u>	<u>\$ 1,693,139</u>	<u>\$ 17,653</u>

General revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.



Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 46,430	\$ 46,430
-	(41)	(41)
-	46,389	46,389
-	6,618	6,618
(11,254,204)	6,618	(11,247,586)

\$ 3,754,355	\$ -	\$ 3,754,355
1,208,270	-	1,208,270
498,254	-	498,254
378,835	-	378,835
1,070,247	-	1,070,247
5,925,944	-	5,925,944
343,857	779	344,636
277,052	-	277,052
13,456,814	779	13,457,593
2,202,610	7,397	2,210,007
14,551,188	83,140	14,634,328
\$ 16,753,798	\$ 90,537	\$ 16,844,335

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 3,680,907	\$ 3,375	\$ 20,153,191	\$ 258,903	\$ 24,096,376
Receivables:					
Property tax:					
Current year	29,185	9,737	4,015	799	43,736
Succeeding year	3,655,868	1,153,448	501,631	250,000	5,560,947
Income surtax	354,327	-	-	-	354,327
Accounts	15,282	-	-	16,523	31,805
Due from other governments	173,577	37	170,573	3	344,190
Inventories	3,819	-	-	-	3,819
Prepaid expenses	83,678	-	-	7,642	91,320
	<hr/>				
Total assets	<u>\$ 7,996,643</u>	<u>\$ 1,166,597</u>	<u>\$ 20,829,410</u>	<u>\$ 533,870</u>	<u>\$ 30,526,520</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 271,597	\$ -	\$ 1,596,543	\$ 19,025	\$ 1,887,165
Salaries and benefits payable	1,177,931	-	-	8,275	1,186,206
<b>Deferred revenue:</b>					
Succeeding year property tax	3,655,868	1,153,448	501,631	250,000	5,560,947
Other	364,393	-	-	-	364,393
Total liabilities	<u>5,469,789</u>	<u>1,153,448</u>	<u>2,098,174</u>	<u>277,300</u>	<u>8,998,711</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	3,819	-	-	-	3,819
Prepaid expenses	83,678	-	-	7,642	91,320
<b>Restricted for:</b>					
Categorical funding (note 10)	860,047	-	-	-	860,047
Local grants	8,959	-	-	-	8,959
Revenue bond reserve	-	-	746,718	-	746,718
Debt service	-	13,149	71,488	-	84,637
Management levy purposes	-	-	-	81,935	81,935
Student activities	-	-	-	166,993	166,993
School infrastructure	-	-	13,166,101	-	13,166,101
Capital projects	-	-	4,649,753	-	4,649,753
Physical plant and equipment	-	-	97,176	-	97,176
<b>Committed:</b>					
Building start-up costs	800,000	-	-	-	800,000
<b>Assigned:</b>					
Local projects	56,720	-	-	-	56,720
Unassigned	713,631	-	-	-	713,631
Total fund balances	<u>2,526,854</u>	<u>13,149</u>	<u>18,731,236</u>	<u>256,570</u>	<u>21,527,809</u>
Total liabilities and fund balances	<u>\$ 7,996,643</u>	<u>\$ 1,166,597</u>	<u>\$ 20,829,410</u>	<u>\$ 533,870</u>	<u>\$ 30,526,520</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 21,527,809
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,850,048
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	354,327
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(103,351)
Long-term liabilities, including early retirement, bonds and notes payable, capital leases payable, compensated absences payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(20,875,035)</u>
Net assets of governmental activities	<u>\$ 16,753,798</u>
See notes to financial statements.	

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,017,496	\$ 1,208,270	\$ 1,565,893	\$ 100,011	\$ 6,891,670
Tuition	402,825	-	-	-	402,825
Other	217,594	9,562	283,069	350,472	860,697
Intermediate sources	6,446	-	-	-	6,446
State sources	6,905,352	406	168	36	6,905,962
Federal sources	578,530	-	2,608	-	581,138
Total revenues	12,128,243	1,218,238	1,851,738	450,519	15,648,738
Expenditures:					
Current:					
Instruction:					
Regular instruction	5,250,875	-	-	65,275	5,316,150
Special instruction	1,019,394	-	-	2,724	1,022,118
Other instruction	1,088,765	-	-	281,613	1,370,378
	7,359,034	-	-	349,612	7,708,646
Support services:					
Student services	435,620	-	-	18,652	454,272
Instructional staff services	476,444	-	103,409	9,042	588,895
Administration services	1,185,789	-	192	16,059	1,202,040
Operation and maintenance of plant services	1,084,653	-	24,131	91,423	1,200,207
Transportation services	537,525	-	175,623	30,825	743,973
	3,720,031	-	303,355	166,001	4,189,387
Non-instructional programs	-	-	-	17,906	17,906
Other expenditures:					
Facilities acquisition	382	-	6,453,790	-	6,454,172
Long term debt:					
Principal	-	1,218,766	-	-	1,218,766
Interest and other charges	-	298,743	386,601	-	685,344
AEA flowthrough	451,679	-	-	-	451,679
	452,061	1,517,509	6,840,391	-	8,809,961
Total expenditures	11,531,126	1,517,509	7,143,746	533,519	20,725,900
Excess (deficiency) of revenues over (under) expenditures	597,117	(299,271)	(5,292,008)	(83,000)	(5,077,162)

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 1,850	\$ -	\$ -	\$ -	1,850
Compensation for loss of capital assets	27,535	-	45,854	-	73,389
Interfund transfers in (note 3)	-	218,825	-	8,000	226,825
Interfund transfers out (note 3)	(8,000)	-	(218,825)	-	(226,825)
Bond premium	-	-	171,019	-	171,019
General obligation bonds issued	-	-	10,000,000	-	10,000,000
Revenue bond proceeds	-	-	10,000,000	-	10,000,000
Total other financing sources (uses)	<u>21,385</u>	<u>218,825</u>	<u>19,998,048</u>	<u>8,000</u>	<u>20,246,258</u>
Net change in fund balances	618,502	(80,446)	14,706,040	(75,000)	15,169,096
Fund balances beginning of year	<u>1,908,352</u>	<u>93,595</u>	<u>4,025,196</u>	<u>331,570</u>	<u>6,358,713</u>
Fund balances end of year	<u>\$ 2,526,854</u>	<u>\$ 13,149</u>	<u>\$ 18,731,236</u>	<u>\$ 256,570</u>	<u>\$ 21,527,809</u>

See notes to financial statements.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 15,169,096

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 6,556,154	
Depreciation expense	<u>(539,636)</u>	6,016,518

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities.	15,683
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	(20,000,000)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	1,218,765
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(94,302)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(58,823)	
Compensated absences	24,689	
Net OPEB liability	<u>(89,016)</u>	<u>(123,150)</u>

Change in net assets of governmental activities	\$ <u><u>2,202,610</u></u>
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See notes to financial statements.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 11,824
Accounts receivable	6,448
Inventories	14,534
Prepaid expense	537
Capital assets, net of accumulated depreciation (note 4)	<u>84,492</u>
Total assets	<u>117,835</u>
<b>Liabilities</b>	
Accounts payable	5,458
Salaries and benefits payable	5,652
Deferred revenue	14,161
Net OPEB liability	<u>2,027</u>
Total liabilities	<u>27,298</u>
<b>Net Assets</b>	
Invested in capital assets	84,492
Unrestricted	<u>6,045</u>
Total net assets	<u>\$ 90,537</u>

See notes to financial statements.



NORTH POLK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	Nonmajor Enterprise Funds
Operating revenues:	
Local sources:	
Charges for services	\$ 439,191
Operating expenses:	
Support services:	
Salaries	20,113
Benefits	2,984
Purchased services	6,399
Supplies	5,555
Other	4,720
	<u>39,771</u>
Non-instructional programs:	
Salaries	190,611
Benefits	34,228
Purchased services	1,619
Supplies	305,530
Depreciation	8,552
Other	86
	<u>540,626</u>
Total operating expenses	<u>580,397</u>
Operating loss	(141,206)
Non-operating revenues:	
Interest on investments	779
State sources	4,820
Federal sources	125,351
Capital contributions	17,653
Total non-operating revenues	<u>148,603</u>
Change in net assets	7,397
Net assets beginning of year	<u>83,140</u>
Net assets end of year	<u>\$ 90,537</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>          </u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 426,895
Cash received from miscellaneous operating activities	13,524
Cash payments to employees for services	(246,560)
Cash payments to suppliers for goods or services	<u>(303,891)</u>
Net cash used by operating activities	<u>(110,032)</u>
Cash flows from non-capital financing activities:	
State grants received	4,820
Federal grants received	<u>111,071</u>
Net cash provided by non-capital financing activities	<u>115,891</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(21,919)</u>
Cash flows from investing activities:	
Interest on investments	<u>779</u>
Net decrease in cash and cash equivalents	(15,281)
Cash and cash equivalents beginning of year	<u>27,105</u>
Cash and cash equivalents end of year	<u>\$ 11,824</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2012

	Nonmajor Enterprise Funds
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (141,206)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	8,552
Commodities used	14,280
Decrease in accounts receivable	215
(Increase) in due from other governments	
Decrease in inventories	558
Increase in salaries and benefits payable	1,376
Increase in deferred revenue	1,013
(Increase) in prepaid expense	(537)
Increase in net OPEB liability	794
Net cash used by operating activities	\$ <u>(110,032)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$14,280 of federal commodities. The District also received equipment valued at \$17,653 which was purchased by the Capital Projects Fund for the Enterprise, School Nutrition Fund.

See notes to financial statements.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2012

	Employee Flex Benefit Trust	Private Purpose Trust Scholarship	Agency
<b>Assets:</b>			
Cash and pooled investments	\$ 7,953	\$ 3,968	\$ 150
Receivables:			
Other	<u>5,426</u>	<u>-</u>	<u>-</u>
Total assets	<u>13,379</u>	<u>3,968</u>	<u>150</u>
<b>Liabilities:</b>			
Accounts payable			
Other payables	<u>360</u>	<u>-</u>	<u>150</u>
<b>Net assets:</b>			
Reserved for scholarships	-	3,968	-
Reserved for employee flex benefits	<u>13,019</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 13,019</u>	<u>\$ 3,968</u>	<u>\$ -</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	Employee Flex Benefit Trust	Private Purpose Trust <u>Scholarship</u>
Additions:		
Local sources:		
Employer flex contributions	\$ 10,096	\$ -
Employee flex contributions	215,901	-
Gifts and contributions	-	992
Interest	160	73
Total additions	<u>226,157</u>	<u>1,065</u>
Deductions:		
Support services:		
Employee flex benefits paid	225,755	-
Scholarships awarded	-	1,400
Total deductions	<u>225,755</u>	<u>1,400</u>
Change in net assets	402	(335)
Net assets beginning of year	<u>12,617</u>	<u>4,303</u>
Net assets end of year	<u>\$ 13,019</u>	<u>\$ 3,968</u>

See notes to financial statements.

# NORTH POLK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 1. Summary of Significant Accounting Policies

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Alleman, Elkhart and Polk City, Iowa, and agricultural territory in Polk, Story and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, North Polk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. North Polk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessor's Conference Board.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund, used to account for the food service operations of the District, and the Enterprise, Vending Fund, used to account for vending revenues and expenses.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards and to account for the District's Employee Flex Benefit Plan.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.



NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

# NORTH POLK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Fund Equity (continued)**

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	3-10 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

**Salaries and Benefits Payable** – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned meal revenues, and unearned grant proceeds.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

	<u>Value</u>
Iowa Schools Joint Investment Trust,	
Diversified Portfolio	\$ 141
Money Market Mutual Funds	<u>41</u>
	<u>\$ 182</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Money Market Mutual Fund is stated at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and the Money Market Mutual Fund were both rated AAAM by Standard & Poor's Financial Services.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 218,825
Special Revenue, Student Activity	General	<u>8,000</u>
		<u>\$ 226,825</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 411,634	\$ 520,736	\$ -	\$ 932,370
Construction in progress	102,945	5,729,262	-	5,832,207
Total capital assets not being depreciated	<u>514,579</u>	<u>6,249,998</u>	<u>-</u>	<u>6,764,577</u>
Capital assets being depreciated:				
Buildings	13,422,280	66,265	-	13,488,545
Improvements other than buildings	210,168	26,658	-	236,826
Furniture and equipment	2,941,671	213,233	67,132	3,087,772
Total capital assets being depreciated	<u>16,574,119</u>	<u>306,156</u>	<u>67,132</u>	<u>16,813,143</u>
Less accumulated depreciation for:				
Buildings	4,981,011	295,336	-	5,276,347
Improvements other than buildings	41,295	13,173	-	54,468
Furniture and equipment	2,232,862	231,127	67,132	2,396,857
Total accumulated depreciation	<u>7,255,168</u>	<u>539,636</u>	<u>67,132</u>	<u>7,727,672</u>
Total capital assets being depreciated, net	<u>9,318,951</u>	<u>(233,480)</u>	<u>-</u>	<u>9,085,471</u>
Governmental activities capital assets, net	<u>\$ 9,833,530</u>	<u>\$ 6,016,518</u>	<u>\$ -</u>	<u>\$ 15,850,048</u>
Business-type activities:				
Furniture and equipment	\$ 146,828	\$ 39,572	\$ -	\$ 186,400
Less accumulated depreciation	<u>93,356</u>	<u>8,552</u>	<u>-</u>	<u>101,908</u>
Business-type activities capital assets, net	<u>\$ 53,472</u>	<u>\$ 31,020</u>	<u>\$ -</u>	<u>\$ 84,492</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 44,467
Special	3,787
Other	1,340

Support services:

Instructional staff	10,416
Operation and maintenance of plant services	39,003
Transportation	<u>132,114</u>
	231,127

Unallocated depreciation	<u>308,509</u>
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Total governmental activities depreciation expense	\$ <u><u>539,636</u></u>
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Business-type activities:

Food service operations	\$ <u><u>8,552</u></u>
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NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 249,818	\$ 164,644	\$ 105,821	\$ 308,641	\$ 73,862
General obligation bonds	755,000	10,000,000	1,035,000	9,720,000	395,000
Revenue bonds	-	10,000,000	-	10,000,000	-
Notes payable	685,000	-	125,000	560,000	130,000
Capital leases payable	88,356	-	58,765	29,591	29,591
Compensated absences	53,110	28,421	53,110	28,421	28,421
Net OPEB liability	139,366	89,016	-	228,382	-
Total	<u>\$ 1,970,650</u>	<u>\$ 20,282,081</u>	<u>\$ 1,377,696</u>	<u>\$ 20,875,035</u>	<u>\$ 656,874</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	<u>\$ 1,233</u>	<u>\$ 794</u>	<u>\$ -</u>	<u>\$ 2,027</u>	<u>\$ -</u>

Early Retirement

The District offered a one-time voluntary early retirement incentive to administrators for the year ended June 30, 2012. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five at the actual retirement date. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of a cash benefit of \$15,000 paid in July of 2012. In certain circumstances, the administrator will also be paid \$20/day for unused sick days up to a maximum of \$2,600. The District will also provide full family health insurance coverage until the retiree reaches age 62. Upon reaching age 62, the current family rate for the previous year will be paid until the retiree becomes Medicare eligible.

The District offered various other early retirement in prior years. Details of those plans are available upon request of District management.

At June 30, 2012, the District had obligations to 14 participants with a total liability of \$308,641. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$105,821. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.



NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

On September 15, 2011, the District issued \$10,000,000 in General Obligation School Bonds. The bonds are payable through the year ending June 30, 2031 and have interest rates ranging from 2.00% to 4.00%. The bonds will be used for construction and equipping of a new high school building.

Details of the District's general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated April 1, 2003			Issue dated September 15, 2011			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2013	3.20 %	\$ 295,000	\$ 9,440	2.000 %	\$ 100,000	\$ 323,706	\$ 395,000	\$ 333,146
2014	-	-	-	2.000	295,000	321,706	295,000	321,706
2015	-	-	-	2.000	305,000	315,806	305,000	315,806
2016	-	-	-	2.000	315,000	309,706	315,000	309,706
2017	-	-	-	2.500	320,000	303,406	320,000	303,406
2018	-	-	-	3.000	330,000	295,406	330,000	295,406
2019	-	-	-	4.000	340,000	285,506	340,000	285,506
2020	-	-	-	4.000	350,000	271,906	350,000	271,906
2021	-	-	-	3.250	365,000	257,906	365,000	257,906
2022	-	-	-	3.250	375,000	246,044	375,000	246,044
2023	-	-	-	3.500	390,000	233,856	390,000	233,856
2024	-	-	-	3.500	400,000	220,206	400,000	220,206
2025	-	-	-	3.500	415,000	206,206	415,000	206,206
2026	-	-	-	3.500	430,000	191,682	430,000	191,682
2027	-	-	-	3.500	445,000	176,631	445,000	176,631
2028	-	-	-	3.500	1,005,000	161,056	1,005,000	161,056
2029	-	-	-	3.625	1,045,000	125,881	1,045,000	125,881
2030	-	-	-	4.000	-	88,000	-	88,000
2031	-	-	-	4.000	2,200,000	88,000	2,200,000	88,000
		<u>\$ 295,000</u>	<u>\$ 9,440</u>		<u>\$ 9,425,000</u>	<u>\$ 4,422,616</u>	<u>\$ 9,720,000</u>	<u>\$ 4,432,056</u>

# NORTH POLK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 5. Long-Term Liabilities (continued)

#### Revenue Bonds

On March 1, 2012, the District issued \$10,000,000 in School Infrastructure Sales, Services and Use Tax Revenue Bonds. The bonds are payable from the District's sales tax revenues. The bonds are payable through the year ending June 30, 2030 and have interest rates ranging from 1.25% to 3.10%. The bonds will be used for construction of and equipping a new high school building.

Details of the District's revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	1.25 %	\$ -	\$ 178,721	\$ 178,721
2014	1.25	510,000	214,455	724,455
2015	1.25	515,000	211,278	726,278
2016	1.25	520,000	204,871	724,871
2017	1.25	530,000	198,403	728,403
2018	1.25-1.40	555,000	191,840	746,840
2019	1.40-1.60	565,000	184,643	749,643
2020	1.60-1.80	575,000	176,238	751,238
2021	1.80-2.00	585,000	166,543	751,543
2022	2.00-2.15	595,000	155,518	750,518
2023	2.15-2.30	605,000	143,271	748,271
2024	2.30-2.45	620,000	129,918	749,918
2025	2.45-2.50	635,000	115,365	750,365
2026	2.50-2.60	650,000	99,833	749,833
2027	2.60-2.75	670,000	83,445	753,445
2028	2.75-3.00	690,000	65,783	755,783
2029	3.00	710,000	46,220	756,220
2030	3.00-3.10	470,000	25,220	495,220
		<u>\$ 10,000,000</u>	<u>\$ 2,591,565</u>	<u>\$ 12,591,565</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$10,000,000 of bonds issued in March of 2012. The bonds were issued for the purpose of financing a portion of the construction of and equipping a new high school. The bonds are payable solely from the proceeds of the local option statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require 17 to 71 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,591,565. For the current year, no payments of principal and interest were made on the bonds and total statewide sales and service tax revenues were \$1,070,247.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- a) Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- b) \$746,718 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

Details of the District's June 30, 2012 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.150 %	\$ 130,000	\$ 23,136	\$ 153,136
2014	4.100	135,000	17,742	152,742
2015	4.125	145,000	12,206	157,206
2016	4.150	150,000	6,226	156,226
		<u>\$ 560,000</u>	<u>\$ 59,310</u>	<u>\$ 619,310</u>

During the year ended June 30, 2012 the District made principal and interest payments totaling \$153,324 under the note agreement.

Capital Leases

During the year ended June 30, 2011, the District entered into a capital lease purchase agreement for computer equipment valued at \$88,954. The agreement calls for three annual payments totaling \$32,001, with an annual finance rate of 8.145%.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Capital Leases (continued)

The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2012:

	<u>Year Ending June 30,</u>	<u>Amount</u>
Minimum Lease Payments	2013	\$ 32,001
Less Amount Representing Interest		<u>2,410</u>
Present Value of Minimum Lease Payments		<u>\$ 29,591</u>

The total value of equipment being financed through capital lease purchase agreements is \$88,954.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 114 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 173,838
Interest on net OPEB obligation	3,515
Adjustment to annual required contribution	12,382
Annual OPEB cost	<u>164,971</u>
Contributions made	<u>75,161</u>
Increase in net OPEB obligation	89,810
Net OPEB obligation beginning of year	<u>140,599</u>
Net OPEB obligation end of year	<u><u>\$ 230,409</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$75,161 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 164,971	45.6%	\$ 230,409

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,238,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,238,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,138,000, and the ratio of the UAAL to covered payroll was 17.3%. As of June 30, 2012, there were no trust fund assets.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

The UAAL is being amortized as a level dollar cost over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$578,514, \$477,226, and \$393,041, respectively, equal to the required contributions for each year.

# NORTH POLK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 8. Risk Management**

North Polk Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$451,679 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropout and dropout prevention program	\$ 582,956
Statewide voluntary preschool	82,127
Salary improvement program	70,592
Professional development	56,023
Limited English proficiency	23,307
Core curriculum	21,600
Home school assistance program	17,950
Market factor incentives	5,042
Early intervention	447
Additional teacher contract day	<u>3</u>
Total	<u>\$ 860,047</u>

**Note 11. Construction Commitments**

The District has entered into various contracts totaling \$21,543,221 for a new high school and various other projects. As of June 30, 2012, costs of \$4,477,396 had been incurred against the contracts. The balance of \$17,065,825 remaining at June 30, 2012 will be paid as work on the projects progresses.

**Note 12. Subsequent Events**

On October 18, 2012, the District approved the issuance of \$6,100,000 in general obligation bonds. The bonds were issued January 10, 2013, have interest rates ranging from 1.40% to 2.00% and are payable through the year ending June 30, 2027.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Subsequent Events (continued)

On October 30, 2012, the District approved a contract totaling \$3,238,700 for the construction of an outdoor facility, with an additional \$130,300 approved as an alternate to the contract on November 15, 2012. In addition, the District approved contracts totaling \$358,387 for furniture and fixtures for the new high school.



## Required Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 8,155,192	\$ 457,623	\$ 8,612,815	\$ 9,914,495	\$ 9,914,495	\$ (1,301,680)
Intermediate sources	6,446	-	6,446	6,000	6,000	446
State sources	6,905,962	4,820	6,910,782	7,020,370	7,020,370	(109,588)
Federal sources	581,138	125,351	706,489	1,890,152	1,890,152	(1,183,663)
Total revenues	15,648,738	587,794	16,236,532	18,831,017	18,831,017	(2,594,485)
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	7,708,646	-	7,708,646	8,462,651	8,462,651	754,005
Support services	4,189,387	39,771	4,229,158	4,680,693	4,680,693	451,535
Non-instructional programs	17,906	540,626	558,532	490,200	615,200	56,668
Other expenditures	8,809,961	-	8,809,961	22,912,620	22,912,620	14,102,659
Total expenditures/expenses	20,725,900	580,397	21,306,297	36,546,164	36,671,164	15,364,867
Excess (deficiency) of revenues over (under) expenditures/ expenses	(5,077,162)	7,397	(5,069,765)	(17,715,147)	(17,840,147)	12,770,382
Other financing sources, net	20,246,258	-	20,246,258	16,195,000	16,195,000	4,051,258
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	15,169,096	7,397	15,176,493	(1,520,147)	(1,645,147)	16,821,640
Balance beginning of year	6,358,713	83,140	6,441,853	3,352,218	3,352,218	3,089,635
Balance end of year	<u>\$ 21,527,809</u>	<u>\$ 90,537</u>	<u>\$ 21,618,346</u>	<u>\$ 1,832,071</u>	<u>\$ 1,707,071</u>	<u>\$ 19,911,275</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$125,000.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 1,285	\$ 1,285	0.0%	\$ 5,370	23.9%
2011	July 1, 2009	-	1,283	1,283	0.0%	6,880	18.6%
2012	July 1, 2009	-	1,238	1,238	0.0%	7,138	17.3%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Supplementary Information

## NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 89,122	\$ 169,781	\$ 258,903
Receivables:			
Property tax:			
Current year	799	-	799
Succeeding year	250,000	-	250,000
Accounts	286	16,237	16,523
Due from other governments	3	-	3
Prepaid expenses	7,642	-	7,642
<b>Total assets</b>	<b>\$ 347,852</b>	<b>\$ 186,018</b>	<b>\$ 533,870</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 19,025	\$ 19,025
Salaries and benefits payable	8,275	-	8,275
Deferred revenue:			
Succeeding year property tax	250,000	-	250,000
Total liabilities	258,275	19,025	277,300
Fund balances:			
Nonspendable:			
Prepaid expenses	7,642	-	7,642
Restricted for:			
Management levy purposes	81,935	-	81,935
Student activities	-	166,993	166,993
Total fund balances	89,577	166,993	256,570
<b>Total liabilities and fund balances</b>	<b>\$ 347,852</b>	<b>\$ 186,018</b>	<b>\$ 533,870</b>

See accompanying independent auditor's report.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 100,011	\$ -	\$ 100,011
Other	14,813	335,659	350,472
State sources	36	-	36
Total revenues	114,860	335,659	450,519
Expenditures:			
Current:			
Instruction:			
Regular instruction	65,275	-	65,275
Special instruction	2,724	-	2,724
Other instruction	2,208	279,405	281,613
Support services:			
Student services	10,089	8,563	18,652
Instructional staff services	6,359	2,683	9,042
Administration services	13,212	2,847	16,059
Operation and maintenance of plant services	84,457	6,966	91,423
Transportation services	30,825	-	30,825
Non instructional programs	15,858	2,048	17,906
Total expenditures	231,007	302,512	533,519
Excess (deficiency) of revenues over (under) expenditures	(116,147)	33,147	(83,000)
Other financing sources (uses):			
Interfund transfers out			
Total other financing sources (uses)	-	8,000	8,000
Net change in fund balances	(116,147)	41,147	(75,000)
Fund balances beginning of year	205,724	125,846	331,570
Fund balances end of year	\$ 89,577	\$ 166,993	\$ 256,570

See accompanying independent auditor's report.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2012

	Enterprise Funds		
	School Nutrition	Vending	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,649	\$ 2,175	\$ 11,824
Accounts receivable	6,448	-	6,448
Inventories	14,534	-	14,534
Prepaid expenses	537	-	537
Capital assets, net of accumulated depreciation	84,492	-	84,492
<b>Total assets</b>	<b>\$ 115,660</b>	<b>\$ 2,175</b>	<b>\$ 117,835</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,458	\$ -	\$ 5,458
Salaries and benefits payable	5,652	-	5,652
Deferred revenue	14,161	-	14,161
Net OPEB liability	2,027	-	2,027
<b>Total liabilities</b>	<b>27,298</b>	<b>-</b>	<b>27,298</b>
<b>Net assets</b>			
Invested in capital assets	84,492	-	84,492
Unrestricted	3,870	2,175	6,045
<b>Total net assets</b>	<b>\$ 88,362</b>	<b>\$ 2,175</b>	<b>\$ 90,537</b>

See accompanying independent auditor's report.



## NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2012

	Enterprise Funds		
	School		
	Nutrition	Vending	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 437,632	\$ 1,559	\$ 439,191
Operating expenses:			
Support services:			
Salaries	20,113	-	20,113
Benefits	2,984	-	2,984
Purchased services	6,399	-	6,399
Supplies	5,555	-	5,555
Other	4,716	4	4,720
	<u>39,767</u>	<u>4</u>	<u>39,771</u>
Non-instructional programs:			
Salaries	190,611	-	190,611
Benefits	34,228	-	34,228
Purchased services	1,619	-	1,619
Supplies	303,930	1,600	305,530
Depreciation	8,552	-	8,552
Other	86	-	86
	<u>539,026</u>	<u>1,600</u>	<u>540,626</u>
Total operating expenses	<u>578,793</u>	<u>1,604</u>	<u>580,397</u>
Operating loss	(141,161)	(45)	(141,206)
Non-operating revenues (expenses):			
Interest on investments	737	42	779
State sources	4,820	-	4,820
Federal sources	125,351	-	125,351
Capital contributions	17,653	-	17,653
Total non-operating revenues	<u>148,561</u>	<u>42</u>	<u>148,603</u>
Net income (loss)	7,400	(3)	7,397
Net assets beginning of year	<u>80,962</u>	<u>2,178</u>	<u>83,140</u>
Net assets end of year	<u>\$ 88,362</u>	<u>\$ 2,175</u>	<u>\$ 90,537</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Vending	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 426,895	\$ -	\$ 426,895
Cash received from miscellaneous operating activities	11,965	1,559	13,524
Cash payments to employees for services	(246,560)	-	(246,560)
Cash payments to suppliers for goods or services	(302,287)	(1,604)	(303,891)
Net cash used by operating activities	(109,987)	(45)	(110,032)
Cash flows from non-capital financing activities:			
State grants received	4,820	-	4,820
Federal grants received	111,071	-	111,071
Net cash provided by non-capital financing activities	115,891	-	115,891
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(21,919)	-	(21,919)
Cash flows from investing activities:			
Interest on investments	737	42	779
Net decrease in cash and cash equivalents	(15,278)	(3)	(15,281)
Cash and cash equivalents beginning of year	24,927	2,178	27,105
Cash and cash equivalents end of year	\$ 9,649	\$ 2,175	\$ 11,824

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Vending	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (141,161)	\$ (45)	\$ (141,206)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	8,552	-	8,552
Commodities used	14,280	-	14,280
Decrease in accounts receivable	215	-	215
Increase in inventories	558	-	558
Increase in accounts payable	4,923	-	4,923
Increase in salaries and benefits payable	1,376	-	1,376
Increase in deferred revenue	1,013	-	1,013
Increase in other postemployment benefits	794	-	794
(Increase) in prepaid expense	(537)	-	(537)
Net cash used by operating activities	\$ <u>(109,987)</u>	\$ <u>(45)</u>	\$ <u>(110,032)</u>

See accompanying independent auditor's report.

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$14,280 of federal commodities. The District also received equipment valued at \$17,653 which was purchased by the Capital Projects Fund for the Enterprise, School Nutrition Fund.

## NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 13,978,984	\$ 95,970	\$ 6,078,237	\$ 20,153,191
Receivables:				
Property tax:				
Current year	-	4,015	-	4,015
Succeeding year	-	501,631	-	501,631
Due from other governments	170,558	15	-	170,573
<b>Total assets</b>	<b>\$ 14,149,542</b>	<b>\$ 601,631</b>	<b>\$ 6,078,237</b>	<b>\$ 20,829,410</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 165,235	\$ 2,824	\$ 1,428,484	\$ 1,596,543
Deferred revenue:				
Succeeding year property tax	-	501,631	-	501,631
<b>Total liabilities</b>	<b>165,235</b>	<b>504,455</b>	<b>1,428,484</b>	<b>2,098,174</b>
<b>Fund balances:</b>				
Restricted for:				
Revenue bond reserve	746,718	-	-	746,718
Debt service	71,488	-	-	71,488
School infrastructure	13,166,101	-	-	13,166,101
Capital projects	-	-	4,649,753	4,649,753
Physical plant and equipment	-	97,176	-	97,176
<b>Total fund balances</b>	<b>13,984,307</b>	<b>97,176</b>	<b>4,649,753</b>	<b>18,731,236</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,149,542</b>	<b>\$ 601,631</b>	<b>\$ 6,078,237</b>	<b>\$ 20,829,410</b>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,070,247	\$ 495,646	\$ -	\$ 1,565,893
Other	134,491	4,364	144,214	283,069
State sources	-	168	-	168
Federal sources	-	2,608	-	2,608
Total revenues	<u>1,204,738</u>	<u>502,786</u>	<u>144,214</u>	<u>1,851,738</u>
Expenditures:				
Current:				
Support services:				
Instructional staff services	-	103,409	-	103,409
Administration services	34	25	133	192
Operation and maintenance of plant services	1,300	22,831	-	24,131
Transportation services	72,938	102,685	-	175,623
Other expenditures:				
Facilities acquisition	993,930	59,622	5,400,238	6,453,790
Debt service:				
Interest and other charges	187,604	-	198,997	386,601
Total expenditures	<u>1,255,806</u>	<u>288,572</u>	<u>5,599,368</u>	<u>7,143,746</u>
Excess (deficiency) of revenues over (under) expenditures	(51,068)	214,214	(5,455,154)	(5,292,008)
Other financing sources (uses):				
Bond premium	-	-	171,019	171,019
General obligation bonds issued	-	-	10,000,000	10,000,000
Revenue bonds issued	10,000,000	-	-	10,000,000
Compensation for loss of capital assets	-	45,854	-	45,854
Interfund transfers out	(1,000)	(217,825)	-	(218,825)
Total other financing sources (uses)	<u>9,999,000</u>	<u>(171,971)</u>	<u>10,171,019</u>	<u>19,998,048</u>
Net change in fund balances	9,947,932	42,243	4,715,865	14,706,040
Fund balances beginning of year	<u>4,036,375</u>	<u>54,933</u>	<u>(66,112)</u>	<u>4,025,196</u>
Fund balances end of year	<u>\$ 13,984,307</u>	<u>\$ 97,176</u>	<u>\$ 4,649,753</u>	<u>\$ 18,731,236</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
<b>Athletics</b>				
All Sports	\$ 9,432	\$ 24,363	\$ 17,117	\$ 16,678
Weight Lifting	98	1,505	3,124	(1,521)
Cross Country	(941)	5,593	4,743	(91)
Cheerleading	1,943	7,080	5,369	3,654
Senior Moms	66	-	-	66
Boys Tennis	879	1,402	1,638	643
Coed Golf	(2,414)	4,670	635	1,621
Boys Basketball	7,400	12,720	12,992	7,128
Football	7,821	42,686	31,359	19,148
Soccer	(794)	8,680	5,145	2,741
Baseball	(5,951)	24,643	20,161	(1,469)
Boys Track	2,732	5,988	9,691	(971)
Wrestling	6,901	10,302	8,876	8,327
Girls Basketball	3,161	11,832	9,174	5,819
Volleyball	3,692	9,007	8,612	4,087
Girls Soccer	(6,800)	9,123	3,752	(1,429)
Girls Tennis	3,826	3,125	1,764	5,187
Softball	5,379	9,302	8,109	6,572
Girls Track	(1,895)	8,711	6,261	555
	34,535	200,732	158,522	76,745
<b>Activities</b>				
Misc. Activity				
Interest on Investments	19,786	3,206	86	22,906
Elementary Academic Excellence	1,117	-	-	1,117
Camp Hantesa	46	4,773	5,273	(454)
HS Yearbook	4,181	8,472	8,540	4,113
Elementary Yearbook	1,345	3,430	2,022	2,753
National Honor Society	3,702	-	3,707	(5)
Student Council	2,569	3,697	2,604	3,662
Student Council - Character Counts	132	-	-	132
MS Student Council	2,071	4,911	3,891	3,091
Key Club	1,972	1,166	1,404	1,734
Drama	3,291	2,482	1,513	4,260
HS Musical	222	2,286	1,777	731
HS Vocal Music	-	-	263	(263)
HS Instrumental Music	-	-	318	(318)
Speech	(450)	618	291	(123)
Show Choir	681	2,624	716	2,589
HS Dance	4,242	8,364	7,539	5,067

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
<b>Activities (continued)</b>				
Flags	\$ (2,500)	\$ 2,656	\$ 343	\$ (187)
FFA	2,541	36,057	35,117	3,481
Horticulture	(167)	2,599	1,796	636
Tag/Mock Trial	13	-	-	13
National Art Honor Society	520	-	50	470
HOIAC Fine Arts Fest	(428)	325	389	(492)
Spanish Club	434	380	56	758
Class of 2008	12	-	-	12
Class of 2009	1,478	-	-	1,478
Class of 2010	(5,091)	-	-	(5,091)
Class of 2011	5,585	40	-	5,625
Class of 2012	12,422	52,495	56,719	8,198
Class of 2013	8,980	3,483	981	11,482
Class of 2014	5,312	1,337	54	6,595
Class of 2015	1,576	694	-	2,270
Class of 2016	1,913	385	-	2,298
Class of 2017	-	367	-	367
Junior-Senior High Academic Excellence	328	-	-	328
West Running Club	292	2,525	2,225	592
Concessions	6,136	21,327	27,040	423
MS Comet Pride	217	-	217	-
Baseball Concessions	6,831	12,130	18,961	-
	<u>91,311</u>	<u>182,829</u>	<u>183,892</u>	<u>90,248</u>
Less: Intrafund transfers	-	(39,902)	(39,902)	-
Total	<u>\$ 125,846</u>	<u>\$ 343,659</u>	<u>\$ 302,512</u>	<u>\$ 166,993</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
Year Ended June 30, 2012

	Admin. Pop	Jr./Sr. Teacher Pop	Central Teacher Pop	West Teacher Pop
Balance beginning of year	\$ 24	\$ (219)	\$ (148)	\$ 12
Additions:				
Collections	63	114	154	244
Deductions:				
Miscellaneous	21	-	663	341
Balance end of year	\$ <u>66</u>	\$ <u>(105)</u>	\$ <u>(657)</u>	\$ <u>(85)</u>

See accompanying independent auditor's report.



Activity Host Account	Wellness	High School Project	Total
\$ 463	\$ 142	\$ -	\$ 274
9,189	315	290	10,369
9,189	279	-	10,493
<u>\$ 463</u>	<u>\$ 178</u>	<u>\$ 290</u>	<u>\$ 150</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 6,891,670	\$ 6,134,612	\$ 5,480,433	\$ 5,471,896
Tuition	402,825	384,328	406,505	385,067
Other	860,697	648,902	549,255	590,844
Intermediate sources	6,446	6,191	6,061	7,077
State sources	6,905,962	6,456,463	5,141,864	5,594,749
Federal sources	581,138	537,555	1,068,579	201,505
Total revenues	<u>\$ 15,648,738</u>	<u>\$ 14,168,051</u>	<u>\$ 12,652,697</u>	<u>\$ 12,251,138</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,316,150	\$ 5,133,596	\$ 4,926,965	\$ 4,759,848
Special instruction	1,022,118	884,169	1,036,813	851,649
Other instruction	1,370,378	1,538,918	1,270,689	1,133,653
Support services:				
Student services	454,272	420,799	406,682	580,964
Instructional staff services	588,895	501,029	512,060	427,478
Administration services	1,202,040	1,181,327	972,391	1,007,788
Operation and maintenance of plant services	1,200,207	1,122,173	1,106,351	1,258,570
Transportation services	743,973	631,611	660,852	535,704
Non-instructional programs	17,906	15,552	33,084	6,934
Other expenditures:				
Facilities acquisition	6,454,172	286,396	259,186	442,816
Long-term debt:				
Principal	1,218,766	566,009	1,140,263	1,087,375
Interest and fiscal charges	685,344	71,458	116,019	151,701
AEA flowthrough	451,679	473,163	441,730	377,956
Total expenditures	<u>\$ 20,725,900</u>	<u>\$ 12,826,200</u>	<u>\$ 12,883,085</u>	<u>\$ 12,622,436</u>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
\$ 5,063,894	\$ 4,579,249	\$ 4,439,507	\$ 3,887,528	\$ 3,662,930
377,427	373,556	453,526	461,602	454,535
682,738	644,800	528,220	388,150	337,436
-	11,188	-	-	-
5,613,106	4,807,369	4,384,723	3,889,212	3,767,570
122,121	116,978	120,573	115,493	134,184
<u>\$ 11,859,286</u>	<u>\$ 10,533,140</u>	<u>\$ 9,926,549</u>	<u>\$ 8,741,985</u>	<u>\$ 8,356,655</u>
\$ 4,064,653	\$ 4,094,113	\$ 3,863,762	\$ 3,553,496	\$ 3,270,362
1,114,651	874,811	586,063	575,500	635,666
1,033,253	911,227	855,463	571,095	543,787
366,617	318,675	334,752	321,212	314,519
281,882	222,144	192,359	194,186	166,126
909,889	867,148	876,731	816,337	753,917
1,093,517	1,003,448	839,188	648,104	643,084
586,689	441,554	398,838	401,656	336,161
-	-	-	-	-
965,308	65,258	17,497	80,599	51,113
1,044,152	895,700	860,451	800,144	555,000
180,526	169,461	198,610	225,299	257,537
363,229	317,861	283,630	254,187	253,854
<u>\$ 12,004,366</u>	<u>\$ 10,181,400</u>	<u>\$ 9,307,344</u>	<u>\$ 8,441,815</u>	<u>\$ 7,781,126</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 12	\$ <u>104,893</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	14,664
National School Lunch Program (non-cash)	10.555	FY 12	14,280
National School Lunch Program	10.555	FY 12	<u>95,704</u>
			<u>124,648</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 12	<u>40,950</u>
Special Education - Grants to States	84.027	FY 12	<u>3,591</u>
Advanced Placement Program	84.330	FY 12	<u>39</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>20,252</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>2,781</u>
Education Jobs Fund	84.410	FY 11	220,288
Education Jobs Fund	84.410	FY 12	<u>3,461</u>
			<u>223,749</u>
Heartland Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 12	<u>59,000</u>
Title III - English Language Acquisition State Grants	84.365	FY 12	<u>4,418</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Madrid Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>5,269</u>
University of Northern Iowa:			
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Investing in			
Innovation Fund, Recovery Act	84.396	FY 12	<u>1,727</u>
Total			<u>\$ 591,317</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Polk Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
North Polk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of North Polk Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered North Polk Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-B-12, II-C-12 and II-D-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about North Polk Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Polk Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit North Polk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Polk Community School District and other parties to whom North Polk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Polk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 15, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of  
North Polk Community School District:

Compliance

We have audited North Polk Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. North Polk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Polk Community School District's management. Our responsibility is to express an opinion on North Polk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Polk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Polk Community School District's compliance with those requirements.

In our opinion, North Polk Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of North Polk Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Polk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Polk Community School District and other parties to whom North Polk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 15, 2013

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
  - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Polk Community School District did not qualify as a low-risk auditee.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-12 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. A second individual now reviews all general ledger postings.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances. A step to improve controls in the receipt area would have an initial person prepare a list of receipts that an independent individual could later reconcile with the monthly bank statement.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- II-B-12 Check Signing – We noted that the District uses a signature stamp to print the signature of the Board President on checks. The signature stamp is kept in the administration offices. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation – We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

Response – We will review procedures that will allow timely and efficient processing of daily transactions, yet provide adequate controls over District assets.

Conclusion – Response accepted.

- II-C-12 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors. We also noted that three receipts of five receipts tested for the Student Activity Fund had no support documentation available.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits and reconcile receipts to the related disbursements. This would help to determine if the fundraiser met the expected profit margin and to ensure all sales money has been collected and deposited. All Activity Fund receipts should be properly supported to protect the underlying assets.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-C-12 Fundraisers (continued)

Response – We will consider implementing these recommended fundraiser procedures and we will investigate alternatives to improve the receipting process in the Activity Fund.

Conclusion – Response accepted.

II-D-12 Financial Statement Adjustments – We noted in our testing of journal entries that adjustments were made as late as February 14, 2013 for the cash and prepaid expense accounts. These items are not being adjusted in a timely manner in relation to the periodic financial statements. This reduces oversight controls maintained by the Board because the periodic financial statements, budget reports and bank reconciliations are not as accurate as possible and may not reflect the true District position at the time of review.

Recommendation – All cash adjustments between funds should be completed on a monthly basis to protect the underlying asset and to insure the accuracy of periodic financial statements and bank reconciliations and to help maintain proper Board oversight of District assets.

Response – These entries were made late due partially to time constraints caused by personnel changes. We will do better in the future and make all necessary adjustments on a timely basis.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. However, we noted that some Board minutes are being published later than the two-week period required by Chapter 279.35-36 of the Code of Iowa.

Recommendation – The District should publish all Board minutes within two weeks after the meetings to comply with Code of Iowa requirements.

Response – This was an oversight on our part and we will timely publish all minutes in the future.

Conclusion – Response accepted.

- IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-12 Supplementary Weighting – We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. These variances related to supplementary weighting related to accounting and business courses which lacked full accreditation and resulted in an overstatement to supplementary weighting of .07.

Recommendation – The District should contact the Iowa Departments of Education and Management to determine the disposition of this error.

Response – We will contact the necessary departments and make the proper adjustments to our supplementary weighting.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted. However, the District has \$41 invested in money market mutual funds. Although this investment is allowed by the Code of Iowa, the District’s adopted investment policy prohibits this type of investment.

Recommendation – The District should either amend the District’s investment policy to include investments in money market mutual funds or invest the funds in allowable District investments.

Response – We will look at this and take the appropriate action based on our future needs.

Conclusion – Response accepted.

- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 4,036,375
Revenues:		
Sales tax revenues	\$ 1,070,247	
Interest	134,491	
Issuance of long-term debt	<u>10,000,000</u>	11,204,738
Expenditures/transfers out:		
School infrastructure construction	308,169	
Land purchased	548,295	
Equipment	72,938	
Other	326,404	
Transfers to other funds:		
Debt Service Fund	<u>1,000</u>	<u>1,256,806</u>
Ending balance		\$ <u><u>13,984,307</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-12 Statewide Sales and Services Tax (continued)

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.